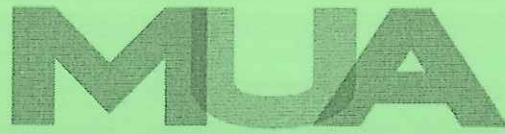


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POST GRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

DEGREE OF MASTER OF ARTS IN DEVELOPMENT STUDIES

**MDS 515: GLOBAL INSTITUTIONS AND DEVELOPMENT**

**DATE: 9<sup>TH</sup> APRIL 2018**

**DURATION: 3 HOURS**

**MAXIMUM MARKS: 60**

**INSTRUCTIONS:**

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **FOUR (4)** questions.
4. Question **ONE** is **compulsory**.
5. Answer any other **TWO** questions.
6. Question **ONE** carries **30 MARKS** and the rest carry **15 MARKS** each.
7. Write all your answers in the Examination answer booklet provided

**QUESTION ONE**

**Read the Case Study below carefully and answer the questions that follow:**

**INTERNATIONAL MONETARY FUND**

International Monetary Fund (IMF), the International Bank for Reconstruction and Development (now called the World Bank), and the General Agreement on Tariffs and Trade (GATT), which was expanded and institutionalized into the World Trade Organization (WTO) in 1995. These institutions have not only persisted for over five decades, but they have also expanded their mandates, changed their missions, and increased their membership. They have, however, become highly contested. The roles of the three main institutions have changed over time; in addition, their membership has become nearly universal. All of these institutions were created by the victors in World War II and were intended to help them avoid another global depression. Part of the problem for these institutions lies in their legacy. They were designed to help the developed countries create a cooperative and stable world economy in a non-globalized world. The IMF was established to support the fixed exchange rate system created at the Bretton Woods Conference in 1944; its role was to aid countries that were experiencing difficulties in maintaining their fixed exchange rate by providing them with short term loans. It was a lender of last resort and a provider of funds in crisis, enabling countries to avoid competitive devaluations. Ensuring a stable international monetary system to promote trade and growth was its central mission. From an initial membership of 29 countries, it has become almost universal with 184 members. With the collapse of the Bretton Woods fixed exchange rate system in the early 1970s, this role changed. The IMF dealt less with the developed countries and more with the developing ones. It provided long and short term loans at below-market interest rates for countries in all sorts of economic difficulty, making it less distinct from the World Bank. It began attaching increasing numbers of conditions to those loans ("conditionality"), negotiating with countries to make major changes in their domestic policies and institutions. Promoting economic growth as well as resolving specific crises



became its mission, which meant that ever more countries became involved in these so-called structural adjustment programs.

Indeed, as Vreeland notes, in 2000 alone the IMF had programs with sixty countries, or more than one-third of the developing world. These changes made the IMF more similar to the World Bank. Formed after World War II, the Bank concentrated mostly on reconstruction and later on development; in 1960, with the formation of the International Development Association (IDA), the Bank moved further toward economic development programs.<sup>9</sup> Many countries over the years have received both IMF and World Bank loans, often simultaneously. The World Bank also gives interest free loans and grants (similar to foreign aid) to the poorest developing countries. This aid has been heavily used in Africa; indeed, in 2003, 51 percent of it went to sub-Saharan Africa. This overlap of missions, proliferation of adjustment loans, and expansion of conditionality are central issues today. The WTO's central mission has been to promote trade liberalization by fostering negotiations among countries to reciprocally lower their trade barriers and providing information about countries' trade policies.

Membership in the GATT/WTO has grown importantly over the years, from a mere 23 in 1947 to 146 countries in 2003.<sup>11</sup> Like the IMF and World Bank, the GATT was originally a negotiating forum for the developed countries; its impact on the developing countries has grown slowly over time. The liberalization of trade policy has become an accepted doctrine for most developing countries; barriers in the developing world have fallen significantly since 1980.<sup>12</sup> In addition, the WTO's mission has increasingly involved the connections between domestic policies and trade barriers. With significant lowering of tariffs and quotas, many domestic policies such as intellectual property laws, environmental policy, domestic subsidies, and tax laws, are now seen to affect trade flows and hence to reside within the WTO's jurisdiction. As with conditionality in the monetary domain, the attack on trade barriers has increasingly brought this international institution into contact with domestic politics. The GATT/WTO system

has sponsored numerous trade negotiation rounds over the past fifty years. The most recently concluded negotiations, called the Uruguay Round, ended in late 1994 with the debut of the WTO and accords lowering **trade** barriers and extending agreements into other areas such as intellectual property and foreign investment. This system relies on reciprocity, attempting to balance countries' gains and losses. The WTO is now conducting the new Doha Round of trade negotiations, which is intended to address the problems of the developing countries more directly.

**Required:**

- a) Synchronising the case study carefully, discuss the role and benefits of International Institutions in development to third world countries. **(10 Marks)**
- b) What are some of the experiences and lessons learnt by the developing countries working in partnership with international institutions such WTO, World Bank and IMF in projects and programs to support development? **(10 marks)**
- c) Elucidate pros and cons of foreign Aid to third world countries **(10 Marks)**

**QUESTION TWO**

- a) Explain market challenges facing the European Industrial bank while executing its operations in partnership projects with countries of the world. **(8 Marks).**
- b) Discuss the focus of Asian Development Bank (ADB) as a development partner in East Asian region. **(7 Marks)**

**QUESTION THREE**

- a) Discuss the strategic and mandate of the Paris Club in managing debt problems of third world countries **(7 Marks).**
- b) Elucidate the principles observed by Paris Club in negotiations with creditor's countries. **(8 Marks)**



**QUESTION FOUR**

- a) Describe the objectives and functions of world trade Organization (WTO) as a partnership institution in trade and development of countries of the world  
(10 Marks)
- b) Discuss the principles of WTO in trade negotiation and agreement ( 5 Marks)

